

# Negotiations: Beyond the Basics

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November 19, 2019

Presented at SPD Fiscal Year Kick Off



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# Speaker Background: Colleen Berkley

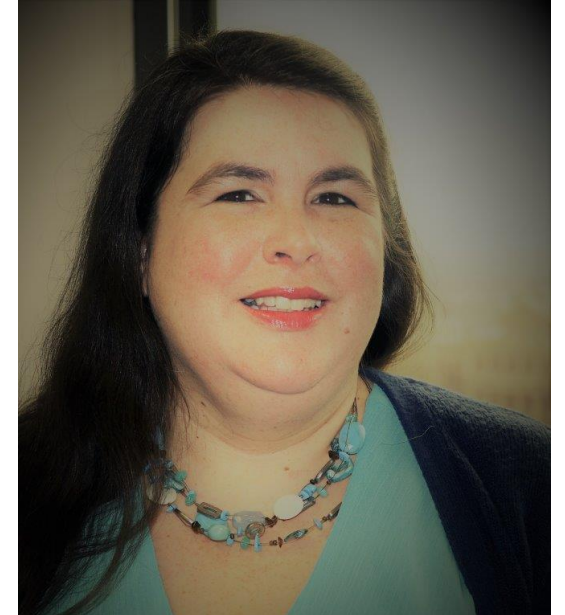
**Colleen Berkley**

Director of Procurement Services

Chief Procurement Office

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- Over 15 years with the state
- Joined DIR in 2016 from OAG
- Advisor for the DIR Innovative Procurement Lab (IPL)



# Plan, Plan, Plan

A decorative blue wave graphic at the bottom of the slide, filled with various white icons representing technology and data, such as clouds, gears, Wi-Fi symbols, and document icons.

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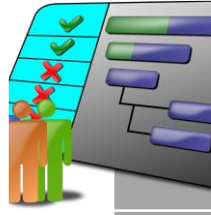
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# Procurement Planning



## Yearly

- Align with FY/Sales Quarter
- Create a list of questions
- Identify amount/type of support needed
- Know the market



## Each Key Solicitation

- Determine amount of face time with Vendors
- Designate a Negotiation Lead/Contract Manager
- Account for approximate Transition Time



## Lessons Learned

- Review prior solicitations, if any
- Update any key templates
- Training
- Communications Plan

# FY Ends for Major Vendors

January	<ul style="list-style-type: none"><li>• Dell</li><li>• Salesforce.com</li></ul>
March	<ul style="list-style-type: none"><li>• BMC Software</li><li>• CA Technologies</li><li>• Fujitsu</li><li>• Lenovo</li><li>• Symantec</li></ul>
May	<ul style="list-style-type: none"><li>• Oracle</li></ul>
June	<ul style="list-style-type: none"><li>• Microsoft</li></ul>
July	<ul style="list-style-type: none"><li>• Cisco Systems</li></ul>
November	<ul style="list-style-type: none"><li>• Adobe</li></ul>
December	<ul style="list-style-type: none"><li>• EMC</li><li>• IBM</li><li>• SAP</li><li>• SAS</li><li>• Software AG</li><li>• VMWare</li></ul>

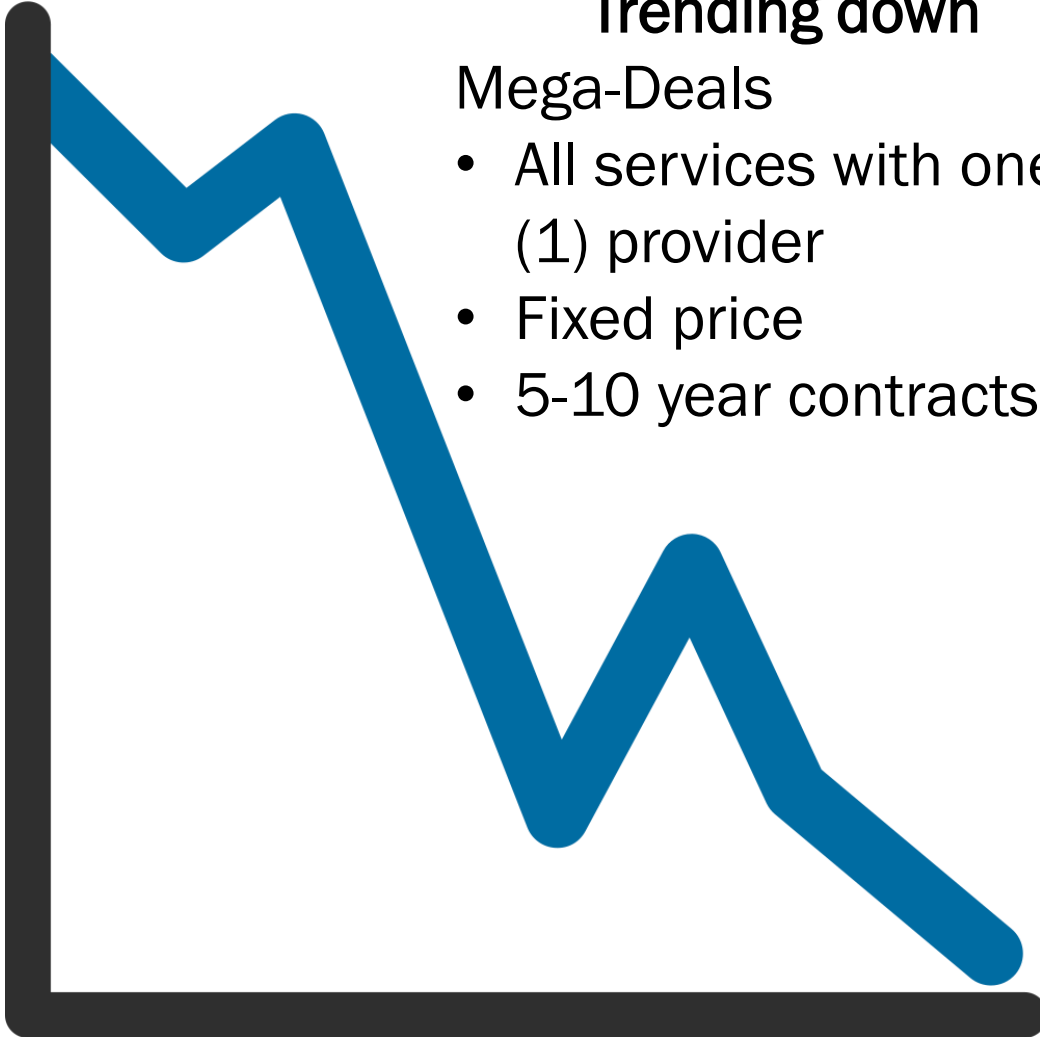


# Market Trends

## Trending down

### Mega-Deals

- All services with one (1) provider
- Fixed price
- 5-10 year contracts

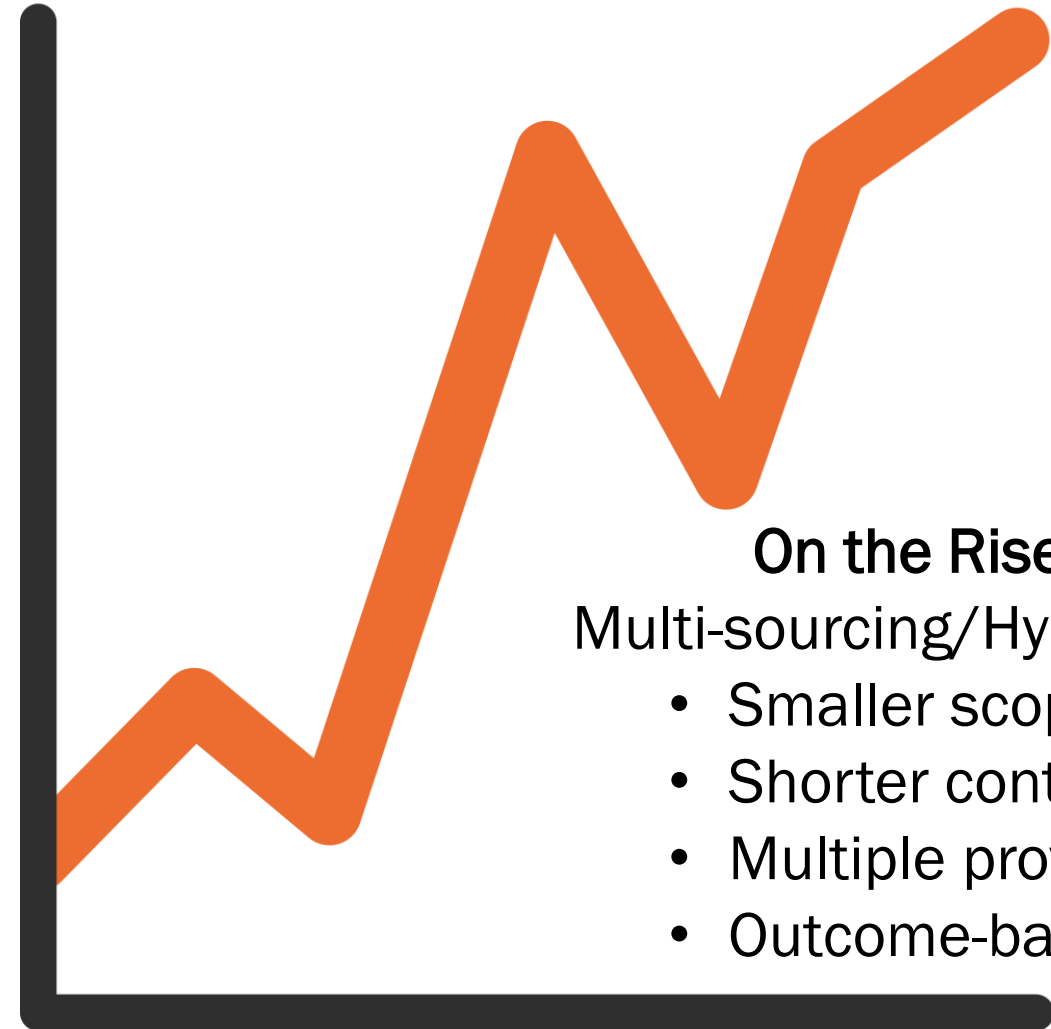


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## On the Rise

### Multi-sourcing/Hybrid IT

- Smaller scopes
- Shorter contracts
- Multiple providers
- Outcome-based



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**Ask for What you Need**

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# Question Checklist - Software



What is the license type (perpetual/term/service/other)?

- For perpetual licenses: What is the initial license fee?
- For term/subscription licenses: What is the period and pricing for each term? What is the renewal pricing?



What is the license model/metric (i.e., server, user, appliance, etc.)?



Are there any product dependencies with this software? What are they and what are the net prices?



What is the delivery method (hosted, on-premises, SaaS)?



Is there a fee for hardware and environment changes (adding processors/cores, server upgrades, site/location changes, etc.)?



Is there a fee for development, quality assurance, or test use?



# Question Checklist - Maintenance



What is the warranty period/maintenance start date?



Describe your pricing for all available subscription and support offerings, options, and coverage levels (i.e., technical support 8/5 versus technical support 24/7)



Is your maintenance pricing based on a percentage of net license fees?



What is included in subscription, maintenance and support for all options?



Can the subscription be separated from technical support? Provide prices for each.



Are you willing to cap subscription maintenance and support increases in perpetuity? What will you agree to as the cost-not-to-exceed percentage cap over the previous year's fee into perpetuity?

# Question Checklist - Service



Provide fixed price and time and materials (T&M) (rate card) options.



For both fixed price and T&M options, provide all role levels, estimated number of hours, and hourly rate for each level (project manager, developer and engineer, for example).



Are you willing to propose a blended rate? Provide this rate.



Provide the "Not-to-Exceed" pricing for additional services if requirements exceed the final mutually-agreed-upon specifications.



Provide your training options and pricing associated with each type of training (i.e., on-site, remote, online/WebEx,).



Provide your training options and pricing associated with each type of training (on-site, remote, online/WebEx, for example).

# Use the Solicitation Process to Achieve Goals



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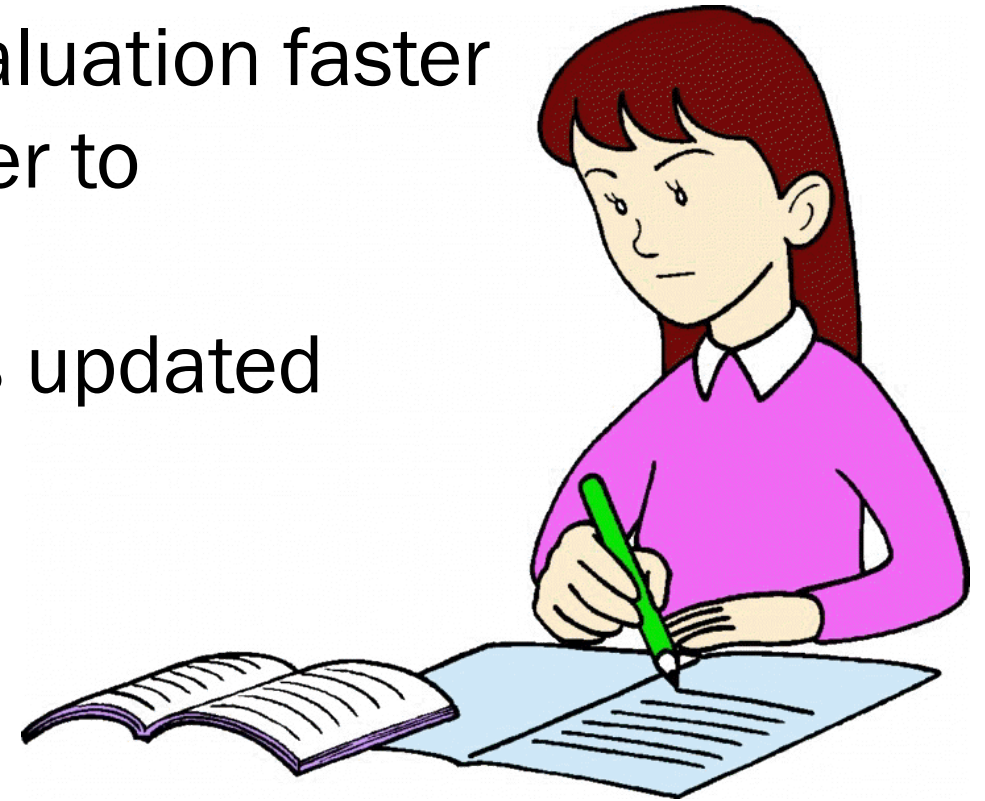
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# Templates Save Time



Creating the  
Solicitation  
Packet

1. Use templates!
2. Require Respondents to complete templates
  - a. makes review/evaluation faster
  - b. can be carried over to negotiations
3. Keep your templates updated



# Use Clear Response Instructions



Creating the  
Solicitation  
Packet

1. Be clear on what you need to see
2. Only ask for what you need
3. Consider in-line responses
4. Tie to evaluation criteria



# Exceptions and Assumptions



## Evaluating Responses

1. Use a template
2. Add as an evaluation consideration
3. Provide legal guidance (during evaluator training/separate session)
4. Start building your negotiation log



# Sample Exceptions Template

AutoSave Off 05\_RFO\_Att\_4\_Exceptions (TSS) - Read-Only - Ex... Search Colleen Berkley

File Home Insert Page Layout Formulas Data Review View Help Table Design Share Comments

E27

	A	B	C	D	E	F	G	H	I
	#	Respondent	ID	Doc	Location/Specific Section Reference	Section Number	Section Mapping	Objection/Issue	Proposed Alternative Language (redline)
1									
2	1		1						
3	2		2						
4	3		3						
5	4		4						
6	5		5						
7	6		6						
8	7		7						
9	8		8						
10	9		9						
11	10		10						
12	11		11						
13	12		12						
14	13		13						
15	14		14						
16	15		15						
17	16		16						
18	17		17						
19	18		18						
20	19		19						
21	20		20						

MSA = MSA and all MSA Attachments  
SOW = SOW  
SLA = Att 1.1, 1.2, 1.3  
FIN = Exhibit 2, Att 2.1, 2.2

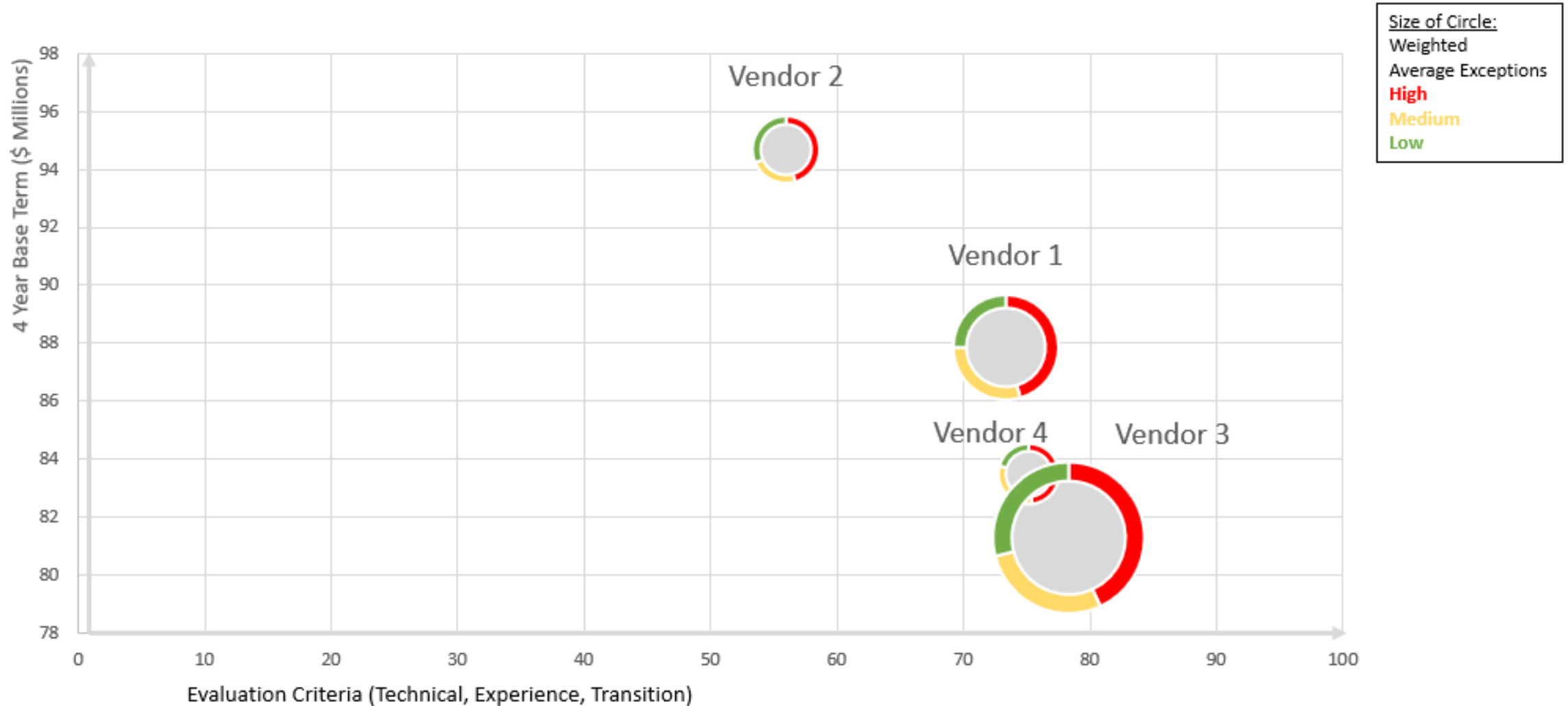
Include Section Number of the Document at X.Y level (no further than 2 levels)

# Sample Exceptions View

File Home Insert Page Layout Formulas Data Review View Help										Share
H16										
	A	B	C	D	E	F	G	H	I	J
1										Doc
2										
3	Exceptions by Doc									Exceptions by Doc Section
4	Row Labels	MSA	SLA	SOW	Grand Total					Row Labels
5		19	1	9	29					Access to Specialized Successful Respondent Skills and Resources.
6		45		23	68					Additions, Modification, and Deletions of Service Levels
7		124	11	69	204					Audit Rights
8		35			35					Business Background and Objectives
9	Grand Total	223	12	101	336					Change Control
10										Compliance with Laws
11										CONTRACT DOCUMENTS
12	Initial Response									Developed Materials
13	Exceptions by Priority									DIR Benchmarking Reviews
14	Row Labels	High	Medium	Low	Grand Total	Weighted				DIR Personal Data
15		14	9	6	29	198				Extension
16		31	20	17	68	450				Form of Parent Guarantee
17		88	57	59	204	1311				Indemnity by Successful Respondent
18		16	8	11	35	225				Insurance and Risk of Loss
19	Grand Total	149	94	93	336					Lack of Sufficient Funds or Statutory Authority
20										Limitation of Liability
21										Liquidated Damages
22	Revised Response									Ongoing DIR Rights
23	Exceptions by Priority									Overview
24	Row Labels	Grand Total					# Change	% Change		Performance Guarantee
25	Grand Total									Responsibility for Successful Respondent Personnel
26										Savings Clause
27	11/19/2019							#DIRisIT		Service Delivery Failure: Corrective Action Plan



# Alternative Data Presentation



# Prepare for Success

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# Negotiations



## Building the Team

- Who's on first
- What's on second
- Why, Because



## Document Preparation

- Agenda and scheduling
- Prioritization
- Templates to Tracker



## Conducting Negotiations

- Day before
- Day of
- Follow-ups



## Building the Team

# Build Your Team

## 1. Identify technical experts

- a. SMEs
- b. Legal
- c. Contract Management
- d. Business
- e. Financial

## 2. Assign a Lead

- a. By area
- b. Overall

## 3. Assign roles, considering negotiator type

- a. Soft negotiator
- b. Analyzer
- c. Hard negotiator

## 4. Work collaboratively!



# Negotiator Types



## Soft Negotiators:

- Relationships;
- Agreement;
- No conflict.



## Analyzers:

- Focus on data
- Logical, not emotional
- Reason, not persuasion

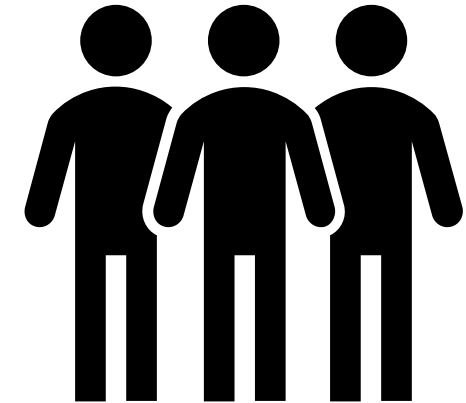
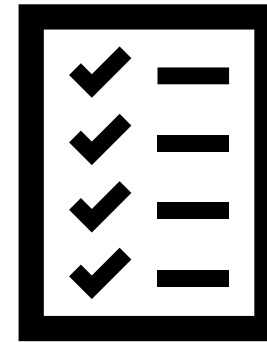
## Hard Negotiators

- Control the room
- Demand concessions
- Takes a stand



# What They Bring

- Soft negotiators
  - Build relationship;
  - Trying to reach consensus.
- Analyzers
  - Reduce emotional impact;
  - Recitation of facts.
- Hard negotiators
  - Overcome stalemate;
  - Damage control.



# What's on Second



Building the  
Team

1. Review agency priorities and goals
2. Review any outstanding questions
3. Identify deal-breakers
4. Determine going-in position



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# Why? Because.



Building the  
Team

1. Link priorities/goals to exceptions/deal-breakers
2. Check your toolbox
3. Re-evaluate assignments
4. End goal: clear understanding of all roles, assignments, and agency positions



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# Align to Goals and Agency Priorities

1. Trace proposed solution back to agency goals/priorities
2. For each exception/assumption taken, note deviation from goals and priorities
3. Prepare talking points



# Agenda and Scheduling



Document  
Preparation

1. Build the daily/weekly schedule around agency priorities
2. Schedule dates based on agency availability
3. Technology planning:
  - a. Dial-in/webinar
  - b. In-room communications
  - c. Displays/recordings
4. Leave time and beginning/end of day for team check-ins



# Prioritize



Document  
Preparation

1. When prioritizing consider:
  - a. agency goals
  - b. agency risk
  - c. schedule impact
  - d. applicable laws
2. Involve team in prioritization activities
3. Document priorities in a tracker
4. End goals: broad understanding of negotiation goals/objectives and clear path forward

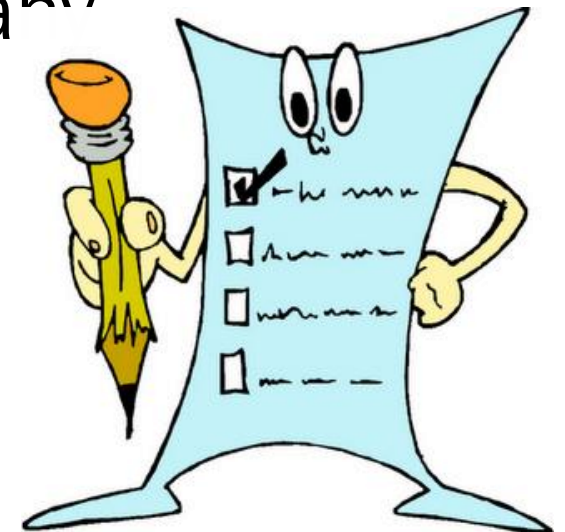


# Transform Templates to Trackers



Document  
Preparation

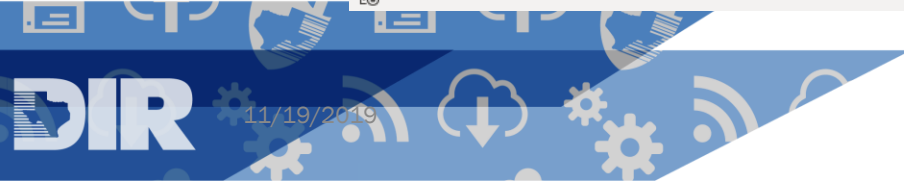
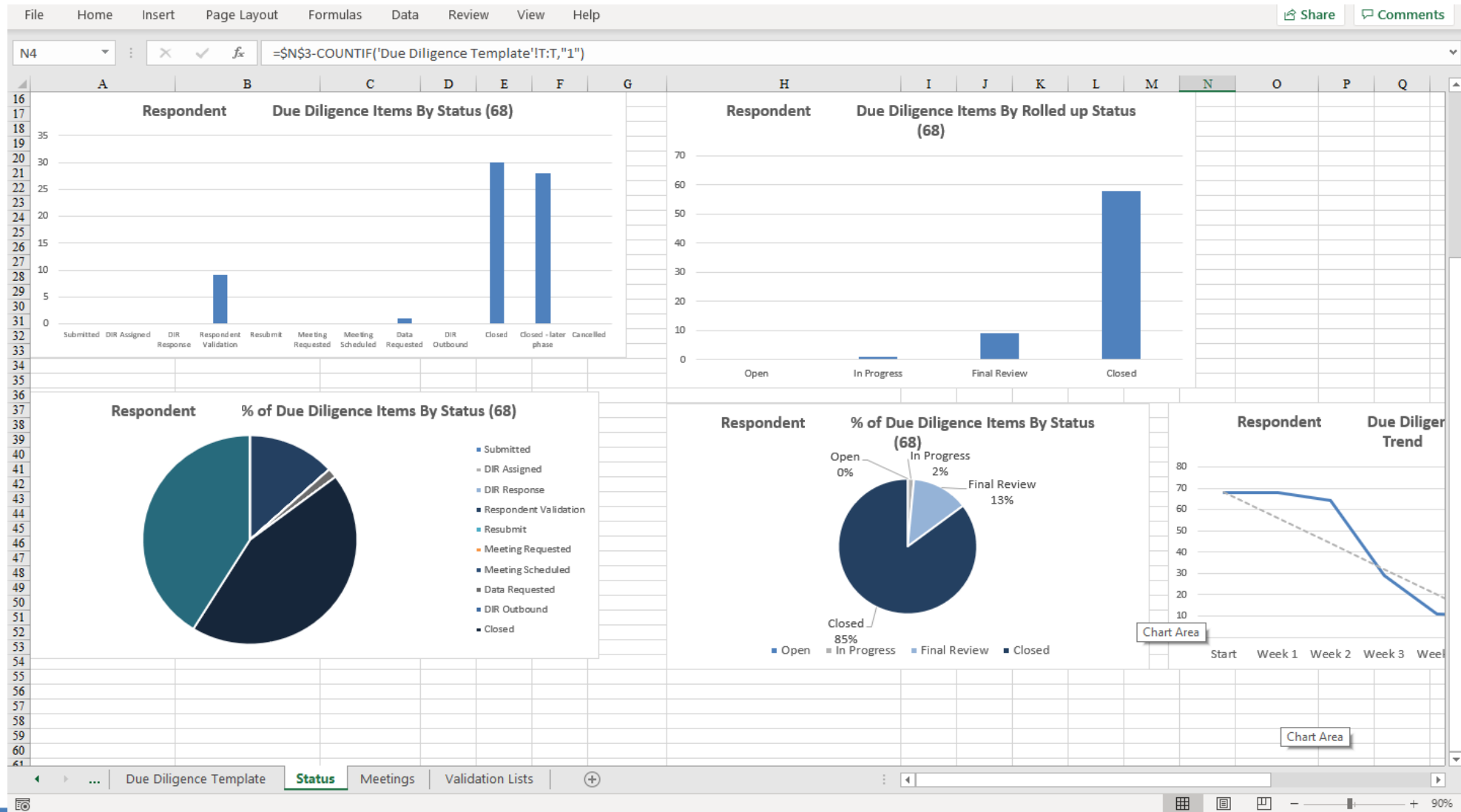
1. Use a tracker to watch all exceptions and technical issues
2. Consider sharing tracker (or subset) with Vendor to show progress
3. Plan to have the vendor provide any missing information
4. End goal: Close all open items



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# Sample Issue Tracker



# Negotiations Techniques



Insert  
Uncertainty



Knowledge  
is Power



Shared  
Goals

Tools of the Trade



# Negotiations Techniques



Let's be  
Fair



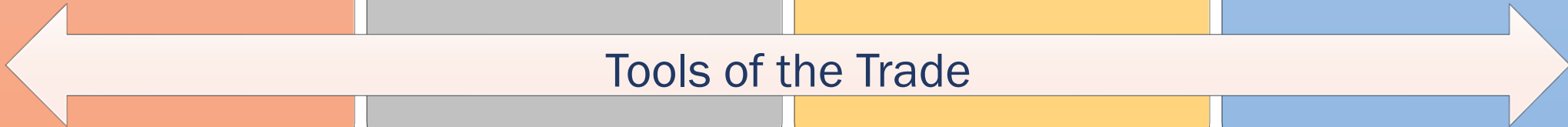
Show  
Empathy



Friendly,  
not Friends



Timing



Tools of the Trade



## Document Preparation

# Conducting Negotiations

1. Establish your position as negotiation lead
2. Have a designated documenter
3. Ask for frequent document turns to align solution with requirements
4. Remember the link between pricing and technical solution
5. End goal: Successful Contract





# Use Available Resources

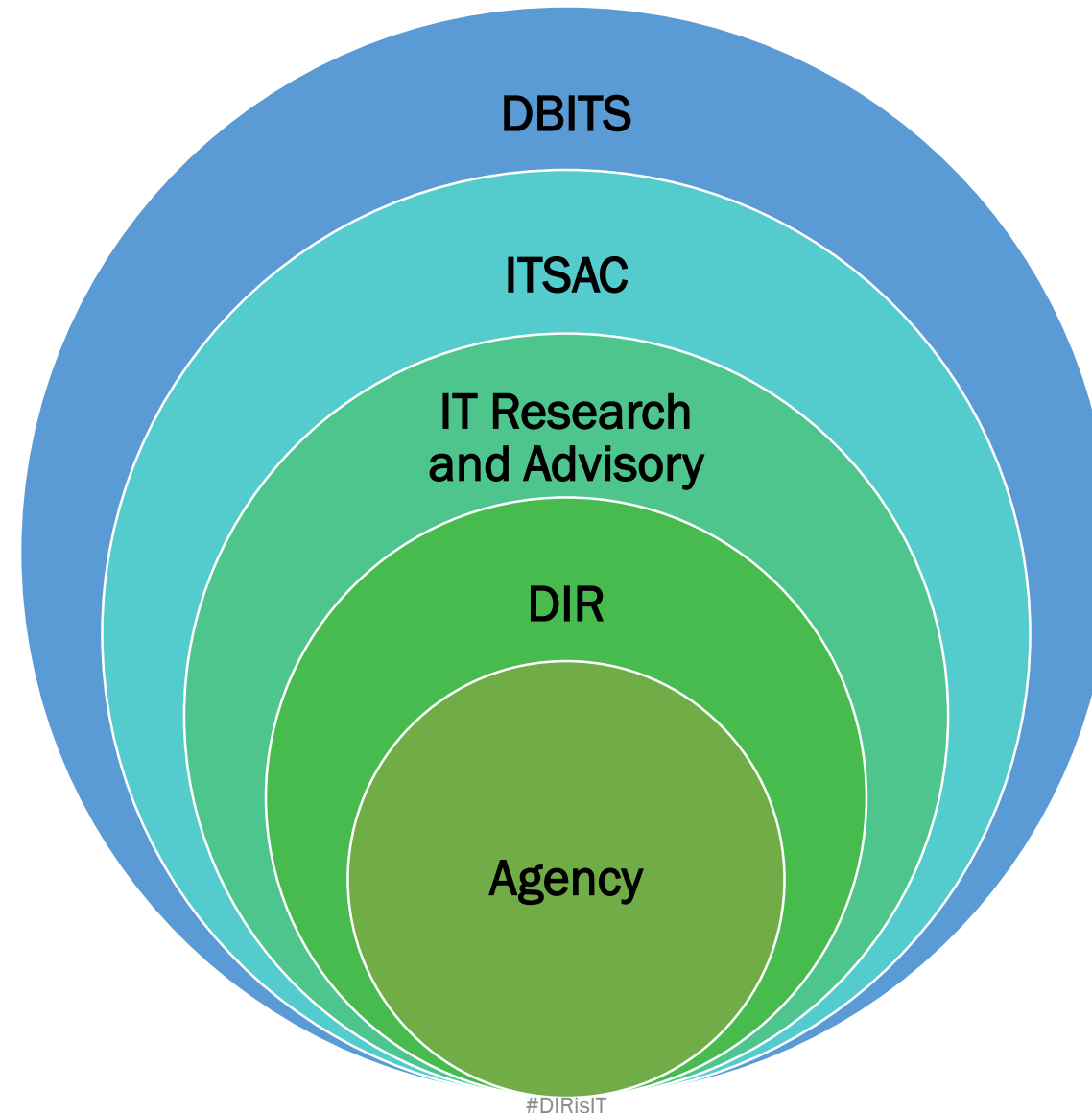
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# Layers of Support



# Questions / Discussion



# Contact Information



## Thank you

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